

# Exhibit F

to

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# Compare federal vs private loans

When comparing federal loans vs private loans, the key difference is that federal loans are provided by the government and private loans are provided by banks, credit unions, and other financial institutions. Each has its own student loan eligibility criteria, application process, and terms and conditions.

## Understand the difference between federal loans vs private loans

Whether you choose federal student loans or private student loans, you have to pay back the money you borrow, plus interest—whether you graduate or not. Student loans are legal agreements, so be sure you understand what you're signing. If something isn't clear, ask your school counselor or lender for help.

There are three types of federal loans for college:

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans, of which there are two types: Grad PLUS Loans for graduate and professional students, as well as loans that can be issued to a student's parents, also known as **Parent PLUS Loans**.

In general, federal student loans provide additional flexibility in several areas than private student loans:

- Borrowers don't need a credit check to be considered (except for the Federal PLUS Loans for parents and graduate students).
- Some federal student loans offer income-driven repayment plans, where the rate of repayment is based on the borrower's salary after college.
- Federal student loans allow the borrower to change their repayment plan even after they've taken out the loan.

It's important to consider federal student loans before you take out a private student loan because there are differences in interest rates, repayment options, and other features.

Private student loans can help you pay for college after you've explored scholarships, grants, and federal student loans.

- Private student loans usually offer the choice of a **fixed or variable interest rate**. Fixed rates stay the same, giving you predictable monthly payments. Variable rates may go up or down due to an increase or decrease to the loan's index.
- Private student loans offer different repayment plans—including options that allow you to **make interest-only or fixed payments** while you're in school. These in-school payments could lower your total student loan cost.
- Some private student loans allow you to track your credit health for free with quarterly **FICO® Credit Scores**.
- Private student loans offer flexibility, since they can be taken out by a student (often with a cosigner), parent, or creditworthy individual (e.g. guardian or other relative).

This chart highlights the differences between federal loans vs private loans.

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## Differences between federal loans vs private loans<sup>2</sup>

|                                      | <b>Federal student loans</b> | <b>Private student loans</b>              |
|--------------------------------------|------------------------------|---|
| <b>How do you get a federal loan</b> | Submit the <b>FAFSA</b> .    | Apply directly with the bank or financial |

|   |   |   |
|---|---|---|
| <b>vs a private loan?</b>   |   | institution that issues the loan.   |
| <b>Is your credit history considered?</b>   | No. You don't need a credit check for most federal student loans (except for PLUS loans). | Yes, along with other factors.  |
| <b>Is there a limit to how much you can borrow?</b>   | Yes. It's determined by your FAFSA.   | It varies by lender—often you can borrow up to the school's cost of attendance (COA). |
| <b>Will my student loan application have a better chance of getting approved with the help of a cosigner?</b>                                       | No. You don't apply with a cosigner for any federal student loans.                        | Yes. If you don't have good credit, it may help to apply with a cosigner.             |
| <b>Does financial need count? Financial need is the difference between the cost of attendance (COA) and the expected family contribution (EFC).</b> | Yes, you may qualify for a subsidized loan.   | No. Financial need isn't taken into consideration for private student loans.          |
| <b>Can you change your repayment plan after you take out a loan?</b>  | Yes.  | Generally, no.  |

## When to apply for private student loans and federal student loans

### Federal student loans

To apply for federal student loans, the first thing you need to do is complete the [Free Application for Federal Student Aid \(FAFSA\)](#). The FAFSA submission period is from October to June every year. In addition to federal student loans, the FAFSA also

determines your eligibility for other federal student aid like grants and work-study. You need to submit the FAFSA to receive federal student aid.

### Private student loans

You can apply for private student loans when you need to, as long as you plan enough time for the lender to process your loan and disburse (send) money to the school. However, if you're applying for a full year, your lender may disburse the funds to your school each semester rather than all at once.

If you think you might need to borrow both federal and private student loans, always submit your FAFSA first. You'll receive a financial aid award letter from the colleges you've been accepted to. After you learn how much aid you're being offered, you'll know how much you still need to borrow with a private student loan to have the funds that you need for college.

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### Terms and conditions of federal loans vs private loans

All student loans—federal and private—include terms and conditions. Here are the most important items you should understand when taking out a loan for college:

- Is this a federal student loan or private student loan?
  - Who is the servicer?
  - Is there a cosigner on the loan?
  - What is the interest rate?
  - Is the interest rate fixed or variable?
  - When are you required to make payments—while in school or after?
  - What is the penalty for late payments?
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### Paying off federal loans vs private loans

There's no definite answer when it comes to which can be paid off faster, federal student loans or private student loans. It depends on the amount of your loans, how much your payments are, your interest rate, and how much money you're making after school:

- How much is your monthly student loan payment?

- Did you choose a repayment plan where you make payments during school, or did you have a grace period after graduation?
- Is there a cosigner on the loan? Are they helping with payments?
- Are you keeping up with your payments and paying interest that accrues (grows) before it capitalizes (is added to your principal amount)?

## Tips for repaying your student loans

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## How student loans are different than other types of loans

Be sure to understand the difference between private student loans and personal loans. They sound similar, but there are important distinctions:

- Private student loans are for education, while personal loans can be used for things like consolidating credit card debt, making home improvements, or paying for a wedding. Some personal loans explicitly state they should not be used for post-secondary education or student loan debt.
- In general, private student loans have lower interest rates than personal loans. They can also offer the choice of a fixed or variable interest rate. A personal loan usually only offers a fixed interest rate, which can impact the amount of your payment.
- Private student loan funds are usually disbursed (sent) directly to your school's financial aid office. Personal loan funds are deposited directly into the borrower's bank account.
- Consider consulting with a tax and/or financial advisor to make sure you fully understand the differences.

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## Related topics

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### Other borrowing options

Families often use other ways to borrow money for college like a home equity loan, personal loan, or tuition payment plan. Learn

### Learn more about your private student loan options

Whether you're an undergraduate, graduate, business, dental, medical,

### Understand the student loan application process

Know what to expect when you apply for private student loans. Be ready with the information you need in

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